

AR12

NEW INSCO MINES LTD.

(NO PERSONAL LIABILITY)



ANNUAL REPORT

1974

NEW INSCO MINES LTD.

(NO PERSONAL LIABILITY)

HEAD OFFICE

SUITE 1203
5 PLACE VILLE MARIE
MONTREAL, QUEBEC H3B 2H1

EXECUTIVE OFFICES

SUITE 306
4198 DUNDAS STREET WEST
TORONTO, ONTARIO M8X 1Y6

MINE OFFICE

P.O. BOX 275
NORANDA, QUEBEC

OFFICERS

Chairman of the Board
JOHN R. CAMPBELL, O.C.

President and Managing Director
H. DOUGLAS HUME

Vice Presidents
GEORGE F. ARCHIBALD
H. C. SAKRISON

Secretary-Treasurer
JAMES WILSON

Assistant Secretaries
J. TODD HOLMES
ROBERT L. LECLERC

DIRECTORS

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JOHN R. CAMPBELL
ROBERT W. CROSBIE
DONALD E. GRIMM
H. DOUGLAS HUME

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HAROLD R. LOGAN
IRA E. McKEEVER, Jr.
ROBERT W. V. PURVES
JOSEPH J. RANKIN
HERMAN A. SCHAEFER

GENERAL COUNSEL
DOHENY, MacKENZIE,
GRIVAKES, GERVAIS & LeMOYNE
MONTREAL, QUEBEC

ONTARIO COUNSEL
MANLEY, GRANT & CAMISSO
TORONTO, ONTARIO

TRANSFER AGENT
CANADA PERMANENT TRUST COMPANY
600 DORCHESTER BOULEVARD
MONTREAL 101, QUEBEC,
AND
1901 YONGE STREET
TORONTO, ONTARIO

AUDITORS
RIDDELL, THORNE & CO.
ROYAL TRUST TOWER
TORONTO - DOMINION CENTRE
TORONTO, ONTARIO

NEW INSCO MINES LTD.

(NO PERSONAL LIABILITY)

February 20, 1975.

To the Shareholders:

Your directors are pleased to submit the 1974 Annual Report on the affairs of your company and the audited financial statements as at September 30, 1974, including the balance sheet and statements of deferred exploration and development expenditures, administrative expenses and deficit and source and application of funds.

On March 6, 1974 we concluded a lease agreement with Noranda Mines Ltd. on our jointly owned ore body in Hebecourt Township. Shareholders will recall that New Insko and its partners are entitled to receive under this agreement a fixed price per pound of copper in the ore body plus bonus payments based on the extent to which the copper prices exceed 65 cents a pound from time to time commencing March 1974. Copper in world markets rose to the unprecedented price of \$1.50 per pound and we enjoyed generous income bonuses until the close of the 1974 fiscal year. By mid-year copper prices began to slide and are now at a two year low; when the recovery from the present recession takes place we look forward to a resumption of at least minimal bonus payments under our Noranda contract.

CURRENT EXPLORATION PROJECTS

As you may judge from the following activity summary, we have been maintaining the pace of our exploration work on the assumption that mining is too important to the economy of the country to be destroyed by excessive and repressive taxation. We direct your attention to the President's special letter with respect to resource taxation and regulation.

Sketches showing property locations in the Noranda mining district are provided in this report.

1. HEBECOURT EAST

New Insko and its joint venture partners completed an exploration program between June and November that involved 12,087 feet of diamond drilling (13 holes) at a total cost of about \$130,000, our share of this expenditure being approximately \$60,000. While no massive ore was discovered during this program we were able to determine that the alteration zone containing our ore body (now leased to Noranda Mines Ltd.) widens at depth. The possibility of finding new ore at depth is very good. A further drill program during 1975 designed to probe to depths of 2,000 to 3,000 feet is warranted.

We expect Noranda to strip the overburden from the ore body early in 1975. Road building activity in progress will make the Hebecourt region accessible by ground transportation which will facilitate our further exploration work.

2. SUNBURST EXPLORATION LTD. — NEW INSCO, W.R. GRACE & CO. OPTION

This property adjoins the east boundary of our discovery group. A drilling program from the ice of Lac Duparquet is planned in the first quarter of 1975 to test an E.M. anomaly that straddles the boundary of the Sunburst and our Hebecourt East properties. Costs of drilling are being shared 49%-51% by New Insko and W.R. Grace & Co., under a joint venture agreement.

3. HEBECOURT WEST

Pending the development of geological trends from other properties in the region, we are not recommending any exploration on this claim group at this time. The property is being maintained in good standing.

4. ARCAP DIVERSIFIED INC. — NEW INSCO OPTION

Drilling targets were identified on this property by a Turam E.M. survey during the summer months. About 3,000 feet of drilling will be required to test all anomalies and the program will be completed early in 1975.

5. MUSTANG MINES & ARCADIA EXPLORATIONS — NEW INSCO OPTION

This property is located in Range II of Hebecourt Township. Geological and geophysical (E.M.) surveys were completed in 1974 and about 1,500 feet of drilling of several anomalies is expected to be completed during 1975.

6. PROTEA DEVELOPMENTS LTD. — NEW INSCO OPTION

This claim group comprises lots 6 to 15 in Range I of Hebecourt Township. We also have optioned lots 16 to 18 from Mr. F. P. Tagliamonte. Geophysical surveys will be completed during 1975 and any significant anomalies will be followed up by diamond drill tests.

7. BERRY-DESBOUES GOLD PROSPECT — NEW INSCO, W.R. GRACE & CO. JOINT VENTURE

We completed geological, geophysical and geochemical studies of this claim group during 1974. Late in '74 and during January '75 we completed eight drill holes. An extensive mineralized zone was traced for a strike length of about 500 feet. While drill holes close to the surface by previous operators cut ore grade gold, our drilling produced some ore grade intersections but values were erratic. A substantial tonnage of gold-bearing material has been outlined but grades indicated by our drill cores, if truly representative, would not appear to support a viable mining operation. We have completed our exploration commitments to the optionors and are now carefully analyzing results to determine if further work is warranted.

8. BEAUCHASTEL TOWNSHIP PROJECT — NEW INSCO, W.R. GRACE & CO. JOINT VENTURE

An extensive diamond drilling program is now underway on three Beauchastel Township properties optioned from West Wasa Mines Limited, Macanda Copper Mines Ltd. and Geophysical Engineering Ltd., located approximately ten miles west of Noranda, Quebec. An exploration budget of \$150,000 shared equally by New Insko Mines Ltd. and W.R. Grace & Co. constitutes the first year's exploration program that could earn New Insko Ltd. and W.R. Grace & Co. an equity interest of 75% in all three properties, providing further work is completed in subsequent years of the options and the properties brought into production prior to July, 1978. The remaining 25% share of net profits would be paid to the property owners from mining operations on their claims after recovery of all exploration and development costs.

Initial work will be concentrated on the West Wasa property which contained the "Aldermac" copper deposit, mined during the late '20s and '30s by a vertical shaft to about 1,300 feet. The original deposit contained over 2,000,000 tons of ore grading 1.65% copper with added values in gold and silver. While the deposit contained zinc, no concentrate was produced at the time because of economic conditions. Company records indicate the possibility of the old mine workings and shaft pillar containing upwards of 300,000 tons of ore averaging about 1.85% copper with unknown values in zinc and precious metals.

The objective of the present effort by New Insko and W.R. Grace & Co. will be a search for new ore zones. The exploration program is under the direction of our Mr. George F. Archibald.

9. NEW INSCO — FROBEX JOINT VENTURE — LA PAUSE AND BOUSQUET TOWNSHIPS

Early in 1974 we staked fifteen claims on Lac Chassignolle in Northwestern Quebec on strike with a good E.M. anomaly in volcanic rocks. Frobex optioned another property comprising ten claims from prospector Chas. Authier of Noranda, Quebec. We were approached by Frobex and have agreed to pool our property interests and to share equity interests and exploration costs equally on the 25 claim group.

An E.M. anomaly on the Frobex (Authier Option) claims has been defined and an exploration program started during February, 1975. Costs will be shared equally by New Insko and Frobex Ltd. of Toronto. New Insko will manage the exploration work.

10. LAC DUFAULT PROPERTY

This is our original property, located about 4½ miles due north of Noranda, Quebec, comprising approximately 3,500 acres, including the Larandona property acquired outright under an agreement made in 1971 by the issue of shares and a series of convertible debentures. The Pamike Mines property option on our north boundary is also in force until December 1975.

While we have done some exploration work on this property during the past two (2) years, we intend to give the property further attention. Geological and geochemical studies will be continued on a modest scale during 1975, with the objectives of defining targets for a more costly drill program in the future.

GENERAL

As a result of the 1974 income from the Noranda lease we will be able to maintain our aggressive exploration effort at least to the end of September, 1975, and are forecasting expenditures of \$480,000.000 for the purpose.

The company has never been in a stronger financial and technical position. Last Spring we engaged the services of Dr. H. C. Sakrison who has been appointed Vice President, Special Projects, broadening our search for non-ferrous metals in various areas in the Canadian precambrian shield. Several areas are under active field study and Dr. Sakrison's efforts will result in property acquisitions that will add to our inventory of good prospects.

The company has an impressive selection of projects where drilling and other exploratory work is presently going on; in addition, other projects are in the course of acquisition where the company is or will be doing geological and other exploration studies. It is our policy to seek partners for all exploration ventures. In this way our exploration costs are spread and our exposure increased.

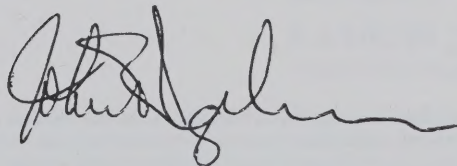
We are confident that our overall exploration costs, when reduced to dollars spent for each well directed foot of drilling, are substantially less than the industry average. We will continue throughout this year with an aggressive program of exploration of the properties in which we have an interest.

Respectfully submitted,

ON BEHALF OF THE BOARD,



H. Douglas Hume
President and
Managing Director



John R. Campbell, Q.C.
Chairman

NEW INSCO MINES LTD.
(No Personal Liability)

BALANCE SHEET AS AT SEPTEMBER 30, 1974

ASSETS

	<u>1974</u>	<u>1973</u>
CURRENT ASSETS		
Cash	\$ 143,197	41,902
Short-term investments, at cost	388,781	—
Accounts receivable	75,644	74,403
	<u>607,622</u>	<u>116,305</u>
 INVESTMENTS		
Shares of other mining companies, at market	6,403	16,002
Other investments, at cost	2,084	2,084
	<u>8,487</u>	<u>18,086</u>
 MINING PROPERTIES AND RELATED EXPENDITURES		
(Notes 1, 2, 4 and 6)		
Mining properties, at cost	903,446	793,085
Deferred exploration and development expenditures	1,080,916	989,381
	<u>1,984,362</u>	<u>1,782,466</u>
 OTHER ASSETS, at cost		
Building and equipment less accumulated depreciation		
(1974 — \$4,838; 1973 — \$2,555)	15,817	11,110
Incorporation expense	—	4,170
	<u>15,817</u>	<u>15,280</u>
	<u>\$ 2,616,288</u>	<u>1,932,137</u>

AUDITORS' REPORT

To The Shareholders
New Insko Mines Ltd.
(No Personal Liability)

We have examined the balance sheet of New Insko Mines Ltd. (No Personal Liability) as at September 30, 1974 and the statements of income and retained earnings, deferred exploration and development expenditures and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at September 30, 1974 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles which were applied on a basis consistent with that of the preceding year.

Riddell, Stead & Co.
CHARTERED ACCOUNTANTS

LIABILITIES

	<u>1974</u>	<u>1973</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 12,640	161,946
Deferred income	<u>119,120</u>	<u>—</u>
	<u>131,760</u>	<u>161,946</u>
 DEBENTURES PAYABLE (Note 3)	 <u>16,146</u>	 <u>16,146</u>
 CONVERTIBLE DEBENTURES (Note 4)	 <u>250,000</u>	 <u>—</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Notes 4 and 5)		
Authorized		
7,500,000 shares, par value \$1 each		
Issued		
3,046,593 shares	3,046,593	3,046,593
Discount on shares	<u>1,145,526</u>	<u>1,145,526</u>
	1,901,067	1,901,067
 CONTRIBUTED SURPLUS	 126,927	 126,927
 RETAINED EARNINGS (DEFICIT)	 <u>190,388</u>	 <u>(273,949)</u>
	<u>2,218,382</u>	<u>1,754,045</u>
	<u>\$ 2,616,288</u>	<u>1,932,137</u>

Signed on behalf of the Board:

John R. Campbell Q.C.
..... Director.

H. Douglas Hume
..... Director.

NEW INSCO MINES LTD.

(No Personal Liability)

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED SEPTEMBER 30, 1974**

	<u>1974</u>	<u>1973</u>
INCOME		
Royalties	\$ 732,042	—
Interest	28,600	3,438
	<u>760,642</u>	<u>3,438</u>
EXPENSES		
Administrative	103,981	66,853
Amortization of cost of mining property including expenditures thereon (Note 2 (a))	26,596	—
General exploration	48,977	10,269
Cost of mining properties abandoned during the year including exploration expenditures thereon	102,983	32,464
Write-down of shares of other mining companies to market	9,598	58,080
	<u>292,135</u>	<u>167,666</u>
NET INCOME (LOSS) (Note 6)	468,507	(164,228)
Deficit at beginning of year	273,949	109,721
	<u>194,558</u>	<u>273,949</u>
Incorporation expense written off	4,170	—
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	<u>\$ 190,388</u>	<u>(273,949)</u>
EARNINGS (LOSS) PER SHARE	15c	(5c)

NEW INSCO MINES LTD.

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STATEMENT OF DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES FOR THE YEAR ENDED SEPTEMBER 30, 1974

	<u>1974</u>	<u>1973</u>
EXPENDED DURING THE YEAR		
Arcadia-Panacan	\$ 12,589	5,315
Authier-Miller	—	12,191
Berry-Deboues Township	12,508	—
Hebecourt East	(1,197)	130,743
Hebecourt Syndicate	69,067	4,655
Hebecourt West	4,955	—
Lewis Red Lake	7,387	6,865
Lynx-Hurd	7,757	2,623
Mustang-Arcadia	11,450	11,458
Sherbrooke	10,016	13,655
Sunburst-Hebecourt	22,776	8,158
Protea	11,384	—
General exploration expenditures	48,976	10,269
Other projects	37,017	4,794
	<u>254,685</u>	<u>210,726</u>
BALANCE AT BEGINNING OF YEAR	989,381	812,415
	<u>1,244,066</u>	<u>1,023,141</u>
Less		
Amortization of exploration expenditures on Hebecourt East (Note 2 (a))	19,067	—
General exploration and expenditures on properties abandoned during the year	144,083	33,760
	<u>163,150</u>	<u>33,760</u>
BALANCE AT END OF YEAR	<u>\$ 1,080,916</u>	<u>989,381</u>

NEW INSCO MINES LTD.

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**STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED
SEPTEMBER 30, 1974**

	<u>1974</u>	<u>1973</u>
WORKING CAPITAL DERIVED FROM		
Operations		
Net income (loss)	\$ 468,507	(164,228)
Items not involving working capital		
Amortization of cost of mining property	26,596	—
Cost of mining properties abandoned during the year including exploration expenditures thereon	102,983	32,464
Write-down of shares of other mining companies to market	9,598	58,080
General exploration	48,977	10,269
Other	—	179
	<hr/> 656,661	<hr/> (63,236)
Increase in debentures	250,000	16,146
Issue of capital stock for cash	—	247,500
For cash		
On conversion of debentures	—	88,854
	<hr/> 906,661	<hr/> 289,264
WORKING CAPITAL APPLIED TO		
Deferred exploration and development expenditures	252,403	208,350
Less items not involving working capital		
Additions to building and equipment	6,990	5,024
Acquisition of mining properties	125,765	125,431
	<hr/> 385,158	<hr/> 338,805
INCREASE (DECREASE) IN WORKING CAPITAL POSITION	521,503	(49,541)
Working capital (deficiency) at beginning of year	<u>(45,641)</u>	<u>3,900</u>
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR	<u>\$ 475,862</u>	<u>(45,641)</u>

NEW INSCO MINES LTD.

(No Personal Liability)

NOTES TO 1974 FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The company's policy is to write-off all administrative and general exploration expenditures incurred during the year and to capitalize the cost of acquisition and expenditures on mining properties currently in good standing. Upon disposal or abandonment of a property, its cost and related expenditures are written off to income.

2. MINING PROPERTIES

(a) The company has 46.67% participating interest in 12 mining claims in the Township of Hebecourt ("Hebecourt East"), Province of Quebec. By an agreement dated February 28, 1974 Noranda Mines Limited leased the orebody, as delineated in the agreement, from the participants in consideration for the following:

(i) Assuming 48,000,000 pounds of accountable copper, a royalty of 5 cents per pound payable as follows:

\$600,000 on February 28, 1974

(company's share \$280,000)

\$600,000 on each of February 28, 1975, 1976 and 1977

(company's share each year \$280,000)

If more or less than 48,000,000 pounds are produced, the final payment will be increased or decreased accordingly.

(ii) Assuming production of 1,000,000 pounds of accountable copper per month commencing March, 1974, an additional royalty of one-half of the difference between 65 cents per pound and the average price per pound Noranda receives from its overseas copper sales. Should the average price be 65 cents or less, no additional royalty shall be payable and the participants shall not be penalized therefor.

During the period from March 1, 1974 to September 30, 1974 the company received additional royalties of \$568,708.

The cost of the property together with the exploration and development expenditures thereon is being amortized on a straight-line basis over the term of the lease.

(b) The company has an interest in a number of option agreements covering mining properties. The company's portion of option payments and or exploration expenditures required in the next three years to keep the options in good standing amount to \$330,000, \$535,000 and \$186,000 respectively. These are not firm commitments and accordingly the options can be terminated at any time.

3. DEBENTURES PAYABLE

The debentures, which are for seven years and are non-interest bearing, were issued in 1973 as consideration for certain mining claims. They are convertible into common shares of the company at the rate of \$2.00 of principal amount of debentures for each common share, if conversion takes place within two years, thereafter increasing in yearly increments to \$3.25 per share by July 1, 1978.

4. W.R. GRACE PARTICIPATION AGREEMENT

The company entered into an agreement with W.R. Grace & Co. ("Grace") on February 20, 1973 whereby Grace agreed to loan the company \$250,000 during each of 1973 and 1974 and have the option of lending an additional \$500,000 prior to 1977. In consideration of the loans, Grace will receive:

- (a) Debentures in like principal amount maturing on December 31, 1980 and bearing interest at 6% per annum commencing January 1, 1975 or on date of issue, whichever is later. The debentures are secured by a floating charge on all of the assets of the company and a specific charge (which charge is subordinated to the Noranda lease referred to in Note 2(b)) on 6 mining claims in Hebecourt Township (Hebecourt East).

- (b) Share purchase warrants, expiring December 31, 1976, as follows:

Amount and Date of Loan	Number of Warrants	Price per Share
\$250,000 prior to January 1, 1974	440,000	\$2.00 until December 31, 1976
\$250,000 prior to January 1, 1975*	170,000	\$2.25 until December 31, 1976
\$500,000 prior to January 1, 1977	276,912	\$2.50 until December 31, 1976

* extended to February 28, 1975

Grace has the right to acquire up to 51% of the company's interest in any future properties they may acquire in consideration for Grace paying their share of the acquisition costs.

5. CAPITAL STOCK

- (a) Unissued shares are reserved as follows:

440,000 for the exercise of warrants
8,073 for the conversion of debentures
<u>448,073</u>

- (b) Under the terms of an option agreement covering certain mining properties, the company may be required to issue 150,000 shares of its capital stock in order to exercise the option.

6. INCOME TAXES

The company claims exploration and development expenditures for income tax purposes in excess of the expenditures in the accounts. Accordingly no provision for income taxes is required. As at September 30, 1974 the company had approximately \$626,500 of such expenditures available (subject to assessment by taxation authorities) to apply against any taxable income of future years.

7. COMMITMENT

By an agreement effective April 15, 1974 the company has agreed to pay a consultant \$35,000 per year until April 15, 1978.

8. STATUTORY INFORMATION

Remuneration of directors and senior officers aggregated \$94,500 in 1974 and \$50,220 in 1973.

ONTARIO BOUNDARY

VÉZINA

MEUNIER

HEBECOURT TSP.

Lusko

SUDBURY CONTACT
FALCON BRIDGE NICKEL
OPTION

VÉZINA

GRASSETT - LAKE
MINES

ANBELUS PET
ARK EXPLORATIONS

REDSTONE
MINES
NAHANNI
MINES

LABCHUK (ANEX)

LABCHUK

VÉZINA

HANSON MINES

YVANEX
DEV

NUFORT
RESOURCES

NEW
INSCO

ARCADIA EXPLORATIONS
PANACAN MINES & OILS
NEW INSCO OPTION

NORANDA 75%
150 - COPPER FIELDS 25%

Hosking
Poirier
Tabliamonte

PROTEA
NEW INSCO OPTION

(TAGLIAMONTE)
NEW INSCO
OPTION

Tabliamonte
Poirier

ARCAP
NEW
INSCO
OPTION

NEW INSCO
ET AL

NORANDA
90%
150
COPPER FIELDS

LEASED
TO
NORANDA

NEW INSCO
ET AL.

SUNBURST
NEW INSCO
W.R. GRACE & CO.
OPTION

MID-NORTH
ENGINEERING

MONTBRAY TSP.

ORE BODIES

SCALE 1" = 1 MILE



